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IN THE

Supreme Court of the United States

SEMICONDUCTOR ENERGY LABORATORY CO., LTD.,
Petitioner,

v.

SAMSUNG ELECTRONICS CO., LTD.,
SAMSUNG ELECTRONICS AMERICA, INC.,
AND SAMSUNG SEMICONDUCTOR, INC.,
Respondents.

Petition For Writ Of Certiorari to the United States Court of Appeals for the Federal Circuit

PETITION FOR WRIT OF CERTIORARI

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QUESTIONS PRESENTED

In 1992 the Patent and Trademark Office ("PTO") issued new regulations designed to limit applicants' costs, avoid uncertainty about inequitable conduct, and negate a disfavored Federal Circuit ruling by providing that only existing translations of prior art references need be submitted, that cited references will not be deemed as inequitably withheld, and that concise explanations in English of foreign language references, though required, may henceforth be subjective in nature and will not expose the applicant to loss of his patent for inequitable conduct.

Below, the Federal Circuit ruled that the courts' equitable discretion allows them to treat PTO regulations as merely "a floor" and to conclude, contrary to the 1992 regulations, that submitted references may be deemed "constructively withheld" and that partial translations or concise explanations omitting any feature deemed relevant by a court may result in forfeiture of the patent for inequitable conduct.

The questions thus presented are:

1. Given the requirement of judicial deference to agency regulations, may courts find patentees guilty of inequitable conduct for failure to observe judicially devised PTO disclosure standards different from and more stringent than standards expressly delimited by the PTO itself?

2. Are patentees facing forfeiture due to charges of inequitably withholding information from the PTO entitled to the due process defense of reasonable reliance on regulations and guidelines issued by the regulators with whom they dealt?

LIST OF PARTIES

The names of all parties in the court whose judgment is sought to be reviewed appear in the caption of this Petition for Writ of Certiorari.

LIST PURSUANT TO RULE 29.6

Petitioner Semiconductor Energy Laboratory Co. Ltd. ("SEL") has not issued shares to the public. It has a parent company that has issued shares to the public, the full name of which is TDK Corporation, a corporation of Japan. SEL has no other parent companies, subsidiaries, or affiliates that have issued shares to the public.

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PETITION FOR A WRIT OF CERTIORARI

Semiconductor Energy Laboratory Co., Ltd. ("SEL"), petitions for a writ of certiorari to review the judgment of the United States Court of Appeals for the Federal Circuit in this case.

OPINIONS BELOW

The opinion of the Court of Appeals is reported at 204 F.3d 1368, and is reproduced at Appendix ("A.") 1-27. The Court of Appeals' order denying rehearing *en banc* is unreported. A. 100-01. The District Court filed two opinions on the inequitable conduct issue. The first is reported at 4 F.Supp.2d 477. A. 43-83. The second is reported at 24 F.Supp.2d 537. A. 84-99. The District Court issued an unreported ruling denying summary judgment on the related issue of obviousness. A. 32-35.

JURISDICTION

The judgment of the Court of Appeals was entered on March 2, 2000. Petitioner filed a timely combined petition for panel rehearing and rehearing *en banc*. The panel granted rehearing on March 29, 2000 and again on April 5, 2000 for the limited purpose of correcting errors in its opinion. A. 28-29 & A. 30-31. The Court of Appeals denied rehearing *en banc* on April 26, 2000. A. 100-01. This Court has jurisdiction pursuant to 28 U.S.C. § 1254(1).

STATUTE AND PTO REGULATIONS INVOLVED IN THE CASE

(A) Statute

35 U.S.C. § 6(a) (1991),[1] *Duties of [PTO] Commissioner*, in pertinent part provides:

> (a) The Commissioner, under the direction of the Secretary of Commerce, shall superintend or perform all duties required by law respecting the granting and issuing of patents . . . . *He may*, subject to the approval of the Secretary of Commerce, *establish regulations, not inconsistent with law, for the conduct of proceedings in the Patent and Trademark Office* (emphases added). A. 102.

(B) PTO Regulations

PTO Rule 56 (37 C.F.R § 1.56), *Duty to disclose information material to patentability*, in pertinent part provides:

> *The duty to disclose* all information known to be material to patentability *is* deemed *to be satisfied if all information* known to be material to patentability of any

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[1] The authority of the United States Patent and Trademark Office ("PTO") to adopt regulations under 5 U.S.C. § 553 governing its proceedings is now found in 35 U.S.C. § 2(b)(2) (1999).

> claim issued in a patent *was cited by the Office or submitted to the Office* in the manner prescribed by §§1.97(b)-(d) and 1.98. However, no patent will be granted on an application in connection with which fraud on the Office was practiced or attempted or the duty of disclosure was violated through bad faith or intentional misconduct (emphases added). A. 104.

PTO Rule 98 (37 U.S.C § 1.98), *Content of information disclosure statement*, in pertinent part provides:

> (a) Any *information* disclosure statement . . . shall include:
>
> (2) A legible copy of:
>
> (i) Each U.S. and *foreign* patent; [and]
>
> (3) *A concise statement of the relevance, as it is presently understood by the individual designated in §1.56(c) most knowledgeable about the content of the information, of each patent, publication, or other information that is not in the English language.* The concise explanation may be either separate from the specification or incorporated therein.
>
> (c) . . . If a written English-language translation of a non-English language document, *or portion thereof*, is within the possession, custody or control of, or is readily available to any individual designated in §1.56(c), a copy of the translation *shall accompany* the statement (emphases added). A. 107-08.

Section 609A(3) of the PTO's Manual of Patent Examining Procedure ("MPEP"), *Information Disclosure Statement*, in pertinent part provides:

> The concise explanation *may* indicate that a particular figure or paragraph of the patent or publication is relevant to the claimed invention. It *might* be a simple statement pointing to similarities between the item of information and the claimed invention. It is *permissible but not necessary* to discuss differences between the

cited information and the claims (emphases added). A. 120.

* * * *

Where the information listed is not in the English language, but was cited in a search report or other action by a foreign patent office in a counterpart foreign application, the requirement for a concise explanation of relevance can be satisfied by submitting an English-language version of the search report or action which indicates the degree of relevance found by the foreign office. This may be an explanation of which portion of the reference is particularly relevant, to which claims it applies, or merely an "X", "Y", or "A" indication on a search report. A. 120.

MPEP § 609C(2), *Information Disclosure Statement*, in pertinent part provides:

Information which complies with requirements as discussed in this section but which is in a non-English language will be considered in view of the concise explanation submitted (A(3) above) and insofar as it is understood on its face; e.g., drawings, chemical formulas, in the same manner that non-English language information in Office search files is considered by examiners in conducting searches. The examiner need not have the information translated unless it appears necessary to do so. The examiner will indicate that the non-English language information has been considered in the same manner as consideration is indicated for information submitted in English. *The examiner should not require that a translation be filed by the applicant.* The examiner should not make any comment such as that the non-English language information has only been considered to the extent understood, since this fact is inherent (emphasis added). A. 122.

MPEP § 901.05(d), *Translation*, in pertinent part provides:

> Examiners may consult the translators in the Translation Branch of the Scientific and Technical Information Center (STIC) for oral assistance in translating foreign patents or literature that are possible references for an application being examined. A. 125.
>
> * * * *
>
> Examiners can request written translations at any point in the examination process, at the discretion of the individual examiner, but are encouraged to use oral assistance and/or language reference resources as much as possible in the early phases of examination. A. 125.

MPEP § 901.06(a), *Scientific and Technical Information Center* (STIC), describes the STIC library collection, including foreign patent documents, as well as STIC services, including foreign patent and translation services. A. 126-31. The Foreign Patents Branch of the Foreign Document Division of the STIC is available to assist patent examiners in their examinations. The Branch can make available abstracts of foreign language references as well as provide oral and written translations. The translation staff includes Japanese translators. A. 131. The authority for the STIC is 35 U.S.C. § 8 (1975), directing the Commissioner to maintain a library of foreign and domestic materials to aid examiners in the discharge of their duties. A. 103.

STATEMENT

A. The Patent In Suit

U.S. Patent No. 5,543,636 (" '636 patent") in suit, awarded to one of Japan's leading inventors, Dr. Shumpei Yamazaki, teaches that liquid crystal display screens for laptop computers will avoid blurring caused by the electrical phenomenon of hysteresis, which degrades conventionally

structured thin film transistors ("TFTs"), if such TFTs employ a silicon nitride gate insulator and contain a channel region made of amorphous silicon in which oxygen, nitrogen, or carbon levels are super-purified to the critical level of $5x10^{18}$ atoms per cubic centimeter. Thus, the patent teaches the combination of four things: (1) a conventional TFT; (2) with a silicon nitride gate insulator; (3) a channel region made of amorphous silicon; (4) purified to $5x10^{18}$ or less atoms per cubic centimeter of oxygen, nitrogen, or carbon. A. 44.

B. The Infringement Case

Petitioner SEL filed suit in the United States District Court for the Eastern District of Virginia in late 1996, alleging that Samsung Electronics Co., Ltd. and related entities ("Samsung") had made and sold computer displays which infringed SEL's '636 patent. Samsung moved for summary judgment claiming that SEL's invention was an obvious combination of various purification teachings and any disclosed conventional TFT structure of the period. The court (Cacheris, J.) denied the motion on the ground that Samsung had not carried its burden of showing that a person skilled in the art would have known that impurities in the channel region could affect the performance or reliability of a TFT. A. 32-35. Samsung further asserted SEL had committed inequitable conduct in prosecuting the '636 patent, rendering the patent unenforceable, on the ground that SEL had defrauded the PTO; Samsung also counterclaimed that SEL had violated the antitrust laws and had committed RICO fraud. Both counterclaims were summarily dismissed. Samsung did not appeal its antitrust loss. It appealed its RICO loss but the District Court's ruling (A. 36-42) was affirmed below. A. 17-26.

C. The Inequitable Conduct Issue

Samsung did not contend that SEL had withheld any material reference from the PTO in the '636 patent prosecution. Nor did it ever assert that SEL said anything false to the PTO

during that prosecution. It alleged, in regard to a submitted prior art Japanese patent reference (Japanese Patent Laid-Open No. 56-135968) called "Canon '968," that SEL had purposely created and submitted a partial translation that was misleading because it failed to state that Canon '968 at one point teaches a structure like that of the TFT in the '636. With respect to SEL's concise explanation of the relevance of Canon '968 in its Information Disclosure Statement ("IDS") filed with the PTO, Samsung likewise pleaded that SEL should have explained the similarity of structure. Samsung later contended that SEL should have also translated or concisely explained in the IDS admonitions in Canon '968 to avoid atmospheric surface contamination (to obtain good Ohmic contact) contained in untranslated passages of the Canon '968 patent.

The inventor, Dr. Yamazaki, testified (A. 169) that he viewed Canon '968 as relevant insofar as it showed a TFT with a silicon nitride gate insulator – as was stated in the IDS. A. 135. Samsung did not call SEL's patent lawyer to the stand. Instead, it offered the testimony of an expert, who said the anti-contamination passages in Canon '968 were a relevant suggestion to combine the '968 with other references, but this expert did not speculate on what the inventor thought or may have thought. It was undisputed that SEL voluntarily had submitted the full reference (in Japanese) as required by PTO Rule 98(a)(2)(i) (A. 107), asked that it be considered by the patent examiner (A. 135), listed it on IDS Form PTO-1449 (A. 149), devoted a section of the IDS to it (A. 135-39), and in that section listed all references cited against it in Japan. A. 135-39. SEL's concise explanation accurately described Canon '968 as disclosing "the use of silicon nitride for a gate insulator layer of a thin film transistor." A. 135. As required by PTO Rule 98(c) (A. 108), SEL also submitted a *pre-existing* partial English translation in its files that further disclosed that the semiconductor layer of Canon '968 was made of amorphous silicon. A. 163-64.

Nothing in the record shows whether or not the PTO examiner of the '636 patent understood Japanese, worked with a PTO Japanese translator in reviewing Canon '968, or obtained and read a computer abstract of it in English. The PTO maintains a substantial translation capacity (including in Japanese) and collects computerized abstracts of foreign language references, which are available to its examiners. MPEP § 901.06(a) (A. 126-31). Examiners are instructed by MPEP § 609C(2) that they should not require applicants to file translations of foreign language references. A. 122.

In its first inequitable conduct decision, the District Court (Ellis, J.) found that the inventor made the "decision" (A. 78) to submit a partial translation that did not translate the anti-contamination passages and thus "knowingly concealed the full importance of the Canon '968 reference in an effort to mislead the PTO." A. 79. The court also found that such passages should have been mentioned in SEL's concise explanation as helping to provide "a good blueprint" toward combining Canon '968 with other references so as to show that the claimed invention was obvious. A. 55. The court acknowledged that the examiner could have secured a translation within the PTO, but speculated that SEL's "brief" (concise) statement of relevance (as stated in the IDS), combined with the partial translation, removed the examiner's incentive to do so. A. 78.

In a subsequent opinion in response to SEL's motion for reconsideration, the District Court acknowledged that SEL had created the partial translation for an earlier prosecution and was *compelled* by PTO Rule 98(c) to submit the partial translation as is in the '636 application. A. 90-91. Thus, SEL could not be found to have created it with a dubious purpose and could not be faulted for submitting it. The court thereupon adopted a new ground for decision, namely its view that patent applicants should have a duty to supplement pre-existing partial translations that might be misleading if

the PTO relied on them as being complete. A. 91 (including n.12). The PTO Rules were, in the District Court's view, "a floor" but "not a ceiling" for required submissions of translations of foreign language references. A. 91.

On the concise explanation issue, the initial decision did not mention that PTO Rule 98 set out a subjective standard of relevance and had been purposely amended to do so. Nor did it discuss MPEP § 609A(3), which explains that the PTO allows the applicant personal discretion in identifying similarities or differences in drafting such explanations. When the text, purpose, and history of these Rules were explained in reconsideration briefs, the court adhered to its previous conclusions without reference to the PTO Rules or their rule-making history and purpose.

On appeal, the Federal Circuit panel opinion embraced the District Court's view that, despite an explicit PTO regulation stating that the applicant's only duty is to submit pre-existing full or partial translations (A. 108), judges can create a rule that partial translations must be supplemented whenever they may be potentially misleading. A. 16. The panel did not discuss how the applicant could have discerned from the PTO regulations that it would ever have such a duty to supplement pre-existing partial translations.

The panel acknowledged, contrary to the district court, that SEL's submission of the complete patent in Japanese, a pre-existing partial English translation, and a concise explanation was in "technical compliance" with Rule 98's disclosure requirements. A. 13. SEL also claimed compliance with MPEP § 609(A)(3). *See* A.13. But the panel opined that MPEP § 609A(3), though somewhat permissive, was better read as granting discretion to the applicant solely in phrasing its concise explanation, as opposed to providing any latitude to omit any key teaching of the reference. A. 13-14. As to the PTO's 1992 Rule permitting the inventor to express relevance as he sees it, the panel concluded that it was "not

clearly erroneous" for the District Court to find that, since the inventor in this case was Japanese, a good scientist, and a frequent patentee, he must have (or should have) understood and believed in the relevance of passages he had not previously translated, and must have (or should have) understood that he had a duty to write a concise explanation that omitted no potentially key similarities. A. 12. The panel found that the untranslated, anti-contamination passage was the most relevant portion of Canon '968 (A. 15), a finding neither made by the District Court nor urged by Samsung.

D. Rules Of The PTO Governing Duty And Content Of Disclosure

This case involves the two most important Rules of the United States Patent and Trademark Office that apply in patent application proceedings, Rule 56 (duty of disclosure, also sometimes referred to as "duty of candor") and Rule 98 (content of that disclosure). The background that led to these Rules is essential to appreciating how the District Court and Federal Circuit impermissibly vitiated them.

In 1945, this Court held that judges in patent infringement cases may refuse to enforce patents when the patentee engaged in "fraud or other inequitable conduct" in dealing with the Patent Office. *Precision Instrument Mfg. Co. v. Automotive Maintenance Mach. Co.*, 324 U.S. 806, 816 (1945). This doctrine engendered a sea change in patent infringement litigation, as accused infringers hired experts to scrutinize every word of patent applications and opine that uncited prior art was relevant in some sense and should have been submitted, and that it was inequitable not to do so. As courts began to embrace ever more expansive interpretations of "other inequitable conduct" and the defense became ubiquitous, *see* Robert J. Goldman, *Evolution of the Inequitable Conduct Defense in Patent Litigation*, 7 Harv. J. Law & Tech. 37 (Fall 1993), pressure to narrow the defense then grew, particularly among appellate judges. *See, e.g.*,

FMC v. Manitowoc Co., 835 F.2d 1411, 1415 (Fed. Cir. 1987) (Markey, C.J.) (defense used "too much"); *Burlington Ind., Inc. v. Dayco Corp.*, 849 F.2d 1418, 1422 (Fed. Cir. 1988) ("an absolute plague").

The Patent Bar complained to the PTO that the doctrine, in the hands of district judges, led to unpredictable results and the forfeiture of valuable patent rights, as well as increasing the costs and risks of obtaining patents. The PTO responded in 1977 with its first effort to codify what disclosures it required and what duty of candor it expected from those who come before it. The duty of candor was codified as Rule 56 (37 C.F.R. § 1.56). The PTO Rules were further clarified in 1982, but the problem of inconsistent and anomalous court holdings continued. *See generally* Jerome G. Lee, *Introduction: The Special Ad Hoc AIPLA Committee on Rule 56 and The Evolution of Proposed Rule 57*, 16 AIPLA Q. J. 1 (1988).

By 1987, a Patent Bar committee complained again and the PTO Commissioner concluded that the Bar was correct that "existing Rule 56 was indeed too imprecise, and could, and probably was, leading to unjustifiable charges of inequitable conduct." Harry F. Manbeck, Jr., *The Evolution and Issue of New Rule 56*, 20 AIPLA Q. J. 136, 140 (1992). Shortly thereafter, the PTO decided to devise disclosure and candor rules that would "balance the interests involved and be acceptable in the main both to the Bar and the PTO staff." *Id.* at 141. Those Rules were promulgated in 1992.

The 1992 Rules provided, *inter alia*, that (1) translating foreign language references was not required;[2] (2) any *pre-existing* full or *partial* translations of foreign language references must be submitted;[3] and (3) an applicant who does

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[2] MPEP § 609C(2) ("The examiner should not require that a translation be filed by applicant"). A. 122.

[3] PTO Rule 98(c). A. 108.

not submit a full translation may (a) submit a concise explanation of the relevance of the reference, *as seen by the most knowledgeable person* at that time [the italicized words having been added in 1992],[4] or (b) merely submit any foreign patent office search report in existence that ranks the degree of relevance (*i.e.*, "X" (particularly relevant) or "Y" (relevant)).[5] The PTO Commissioner stated that:

> The requirement for a concise statement of relevance has been eliminated except for foreign language references. Even there, an English language copy of a foreign search report will suffice.[6]

As noted above, MPEP § 609A(3) states what the PTO expected in a concise explanation:

> The concise explanation *may* indicate that a particular figure or paragraph of the patent or publication is relevant to the claimed invention. It *might* be a simple statement pointing to *similarities* between the item of information and the claimed invention. It is *permissible but not necessary* to discuss differences between the cited information and the claims. A. 120 (emphases added).

The new PTO Rules sought to decrease inequitable conduct uncertainty in three ways. First, the standard of relevance was tightened to condemn the withholding of references only when they made out a *prima facie* case of unpatentability.[7] Second, inequitable conduct was expressly *eliminated* for *all* "cited" references. That was done to undo a Federal Circuit

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[4] PTO Rule 98(a)(3). A. 107.

[5] MPEP § 609A(3). A. 120.

[6] Harry F. Manbeck, Jr., *The Evolution and Issue of New Rule 56*, included in *Evolution and Future of New Rule 56 and The Duty of Candor*, 20 AIPLA Q. J. 136, 142 (1992).

[7] PTO Rule 56(b)(2)(ii). A. 105.

case holding to the contrary.[8] Third, submissions fulfilling the duty of disclosure were deemed to satisfy the duty of candor. The latter two points were set out in new Rule 56:

> The duty to disclose all information known to be material to patentability *is deemed to be satisfied* if all information known to be material to patentability of any claim issued in a patent *was cited by the Office or submitted to the Office in the manner prescribed by §§ 1.97(b)-(d) and 1.98*. However, no patent will be granted on an application in connection with which fraud on the Office was practiced or attempted or the duty of disclosure was violated through bad faith or intentional misconduct. A. 104 (emphases added).

The 1992 Notice of Final Rulemaking stated that an applicant's duty of disclosure did not require an applicant to combine references against his own claims (comment 24), that the PTO was not placing a burden on an applicant to analyze references (comment 26), that the PTO will consider references if submitted in accordance with Rule 98 (comment 26), and that "relevance as the applicant sees it" language was added to Rule 98(a)(3) so that an applicant submitting a concise explanation of (subjective) relevance would not be accused of violating the duty of candor if more relevant portions of a reference later were found (comment 70). A. 112-13.

The PTO advised (A. 122) that there could be no assumption that the PTO had fully considered aspects of a

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[8] *A.B. Dick Co. v. Burroughs Corp.*, 798 F.2d 1392 (Fed. Cir. 1986); *see* Harry F. Manbeck, Jr., *The Evolution and Issue of New Rule 56*, 20 AIPLA Q. J. 138, 141-42 (1992) ("But certainly the applicant's duty will not be violated simply because the examiner cites a reference while the applicant may still be considering it. It remains to be seen whether the courts will follow the PTO, but hopefully this new approach in the rule will result in the rationale of *A.B. Dick* being limited to truly egregious circumstances").

reference that were not translated or explained in English. MPEP § 609C(2). Thus, under the PTO's new approach, an applicant who met the submission requirements of the PTO's Rules, yet did not translate or explain fully a foreign language reference, risked an infringement trial with a narrower presumption of administrative competence as to novelty,[9] but would not expect to face the risk of a finding of inequitable conduct based on his not having translated or fully explained the foreign language reference.

Finally, in May 1992 the PTO publicly announced that compliance with new Rules 97[10] and 98 assured that the information will be considered by the examiner:

> Once the minimum requirements are met, the examiner has an obligation to consider the information. *These rules provide certainty for the public* by defining what the requirements are, when the Office will consider information and when the Office will not consider information. A. 114 (emphasis added); *see also* A. 109.

In a special symposium issue of the AIPLA Quarterly Journal celebrating the introduction of new Rule 56, former Assistant Commissioner for Patents Rene D. Tegtmeyer wrote that "since the new rules are the PTO's preferred procedures for [placing pertinent prior art before the examiner], it would be difficult for the courts to make a conclusion of inequitable conduct in the situation where there was compliance with the new rules."[11] Similarly, John F.

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[9] That is, the presumption that public officials perform their assigned jobs. *E.g., Molins PLC v. Textron, Inc.*, 48 F.3d 1172, 1184 (Fed. Cir. 1995).

[10] PTO Rule 97 (37 C.F.R. § 1.97) specifies timing and other administrative details that must be met before the PTO will review an IDS. SEL complied with all requirements of Rule 97.

[11] Rene D. Tegtmeyer, *A Refocusing on Inequitable Conduct in New Rule 56*, included in *Evolution* and *Future of New Rule 56 and The Duty of Candor*, 20 AIPLA Q. J. 191, 199 (1992).

Lynch, with the firm of Arnold, White & Durkee, wrote in the same AIPLA issue:

> Thus, if the PTO defines the conduct that it expects with respect to the required disclosure of prior art references, it seems that the courts should not be capable of penalizing patent applicants who were in full compliance with that PTO rule on grounds that conforming to the Rule is nonetheless in violation of law.[12]

E. SEL's Compliance With PTO Rules 97 And 98, And The Examiner's Compliance With MPEP § 609C(2)

It is undisputed that SEL complied with the filing requirements of Rules 97 and 98 when submitting the Canon '968 reference (in Japanese), the pre-existing partial translation of it, and citing it in its IDS. A. 11. It also is undisputed that the examiner, as shown by her initials on Form PTO-1449 (a part of the IDS) (A. 149), considered the Canon '968 reference that had been cited to her by SEL, in accordance with MPEP § 609C(2). A. 121.

REASONS FOR GRANTING THE PETITION

This case warrants review because an important doctrine of this Court (nullification of patents on inequitable conduct grounds) has been extended well beyond its proper scope to allow judges to ignore basic principles of judicial deference,[13]

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[12] John F. Lynch, *New Rule 56: The Second Time Around*, 20 AIPLA Q. J. 145, 152 (1992).

[13] Deference must be accorded to agency rules, such as PTO Rules 56 and 98, that were subjected to the rigors of the Administrative Procedure Act, including notice and comment. *See, e.g., Christensen v. Harris County*, ___ U.S. ___, 120 S. Ct. 1655, 1663 (2000). The MPEP, a manual, is entitled to respect, but only to the extent that its interpretations of agency rules have the power to persuade. *Id.* The MPEP is the bible of patent practitioners, and is normally deemed "persuasive."

override Patent Office policies, improperly burden foreign and U.S. applicants by compelling them to make and provide costly written translations, and expose inventors to loss of their patents without fair warning that their compliance with clear regulations will afford them no safe harbor from second-guessing by accused infringers and courts. This Court should clarify that the equity power to refuse to enforce patents is not a license to impose on applicants or the PTO information requirements that the agency chose not to impose, for good policy reasons, and that such equity power does not allow forfeiture of patents for non-compliance with disclosure duties that applicants did not clearly know of in advance.

The doctrine under which courts refuse to enforce patents because the patentee engaged in inequitable conduct (usually fraud or deceit) in obtaining the patent can play a useful role in uncovering and thwarting schemes to undercut PTO Rules and goals. It has had the unfortunate result, however, of unleashing a flood of automatic allegations of bad conduct followed by unpredictable district court rulings. The Patent Bar and the Patent Office cooperated to create clear, predictable disclosure Rules in 1992. The Federal Circuit has now decided that district courts need not defer to those salutary new Rules, and the conflict between its view that PTO Rules are a "floor" but not a "ceiling" and the PTO's view that compliance with its disclosure rules insulates applicants from charges of inequitable conduct is total. All of the PTO's reforms are swept away.

In numerous cases, this Court has used its supervisory powers to ensure that federal courts do not arrogate to themselves discretion to override agency rules that carefully balance information needs against the costs of providing and reviewing such information. Surely, the exercise of such powers is needed in this case. In the last ten-year period for which statistics are available (1989-1998), an average of 44%

of the applicants for U.S. patents were foreign nationals.[14] They expect to submit the prior art from their countries in their native language. Japan is the leading source of foreign patentees.[15] The PTO must be free to cut cost, promote international comity,[16] and increase certainty by deciding not to impose costly translation duties on applicants and not to expose them to inequitable conduct risks as they comply with PTO Rules telling them how much English language explanation of submitted references is expected.

The Federal Circuit's decision that a submitted, considered reference is "constructively withheld" if not fully translated or completely explained is directly contrary to an explicit, intentional PTO Rule (Rule 56). This case tests whether the salutary effects of the 1992 PTO Rules will be nullified by the Federal Circuit's holding[17] that the carefully crafted 1992

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[14] United States Patent and Trademark Office, Information Products Division, U.S. Patent Statistics, Calendar Years 1963-1999. (The statistics show little year-to-year deviation in the last decade.)

[15] *See* Statement by Assistant Secretary of Commerce and Commissioner of Patents and Trademarks Harry F. Manbeck, Jr., Subcommittee On Commerce, Justice, State, The Judiciary And Related Agencies, Committee on Appropriations, House of Representatives, Mar. 5, 1991 (Japan was "clearly" the largest foreign country of origin; 19.6% of all foreign *and* domestic PTO patent filings in 1991 were of Japanese origin). The PTO was unable to provide more recent country-of-origin statistics. Petitioner has no reason to believe that Japan does not continue to remain the largest single originating foreign country.

[16] Japan, for example, does not recognize inequitable conduct as a basis for invalidating a patent. *In re Harita*, 847 F.2d 801, 807 (Fed. Cir. 1988). Thus, it is very important that the PTO provide clear guidance to foreign inventors who seek patent protection in the United States, especially as their references often will be in foreign languages.

[17] The Federal Circuit circulates precedential decisions to all judges of the Court before they are filed; the Court as a whole thereby "impliedly" clears all precedential decisions before they are released. Federal Circuit's Clerk's Office, Memorandum, *Questions and Answers About Petitions for*

Rules were "a floor" but "not a ceiling" (A. 13), that courts are free to enforce their own views of what a patentee's disclosure duties ought to be, and that courts may treat as decisive not whether the applicant complied with the governing Rules but whether he might have had a bad intent when complying with them.

A. This Case Should Be Reviewed To Clarify The Proper Role Of Judges In Weighing Charges of Inequitable Conduct While Adhering To Important Judicial Deference Principles

This Court frequently has held that a federal court, in reviewing agency action, must not stray beyond the judicial province by imposing on an agency or its applicants the court's own notion about what procedures are best for obtaining information or achieving the agency's goals. *Vermont Yankee Nuclear Power Corp. v. Natural Resources Defense Council*, 435 U.S. 519, 544 (1977). That decision rested partly on an earlier holding that administrative agencies "should be free to fashion their own rules of procedure and to pursue methods of inquiry capable of permitting them to discharge their multitudinous duties." *FCC v. Pottsville Broadcasting Co.*, 309 U.S. 134, 143 (1940); s*ee also FPC v. Transcontinental Gas Pipe Line Corp.*, 423 U.S. 326, 333 (1976) (agency should be allowed to determine how best "to develop the needed evidence"). Likewise, this Court has held that a reviewing court violates judicial deference principles when it substitutes its own balancing test for that chosen by an expert agency. *See, e.g.*,

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Rehearing and Suggestions for Rehearing en Banc in the United States Court of Appeals for the Federal Circuit (undated but current). Thus, the opinion below speaks for the entire Court. No other Circuit is likely to take issue with the Federal Circuit in this case because all patent appeals are heard by that Court. *See* 28 U.S.C. § 1295(a)(1).

Immigration and Naturalization Service v. Aguirre-Aguirre, 526 U.S. 415, 418-20 (1999).

The statutory source of the PTO's authority to issue its own procedural Rules and regulations in 1992 was 35 U.S.C. § 6 (1991) (now 35 U.S.C § 2(b)(2) (1999)). A. 102. It now appears settled that the PTO is an expert administrative agency entitled to deference at least in connection with its Rules and regulations relating to its own procedures and standards for obtaining information. *See Dickinson v. Zurko*, 527 U.S.150, 154 (1999).

This case raises policy issues similar to those in *Vermont Yankee Nuclear Power* and *Aguirre-Aguirre*. The Federal Circuit has been granted great power over the development of this nation's patent laws, which makes it all the more important that it be reminded not to override the policy choices of the PTO in how that agency is administered. That is particularly important given the Federal Circuit's role as the sole overseer of the PTO in the first instance. 28 U.S.C. § 1295(a)(1). Here, as in the above cases, judges honestly may believe that the agency went too far in deciding what information it can do without when balancing costs and risks. But this Court has stressed that judicial skepticism about agency competence or judgment is not an excuse for overriding reasoned agency choices within the assigned scope of agency authority.

The reasons for deference to the PTO's administrative expertise are dramatically evident in this case. The Federal Circuit's decision not to defer to PTO regulations leaves the PTO's balanced disclosure procedures in disarray, exposing patent applicants to unwarranted costs and uncertainty. The conflicts between the opinion and the PTO's 1992 Rules and policy choices are manifest:

1. The PTO's amended Rule 56 says unconditionally that all references actually *cited* by the Office can create no duty

of candor issues. A. 104. The opinion, in contrast, says references are "constructively withheld" if submitted in a foreign language and not explained adequately in English. A. 14-17.[18]

2. The PTO's amended Rule 98(c) says there is no duty to translate a foreign language reference, merely a duty to submit any pre-existing full or partial translation in the possession of the applicant. A. 108. The opinion, in contrast, says that partial translations must be supplemented if incomplete or arguably incomplete. A. 15.[19]

3. PTO Rule 98(a)(3) (A. 107) and MPEP § 609A(3) (A. 120) purposely say the inventor may select and discuss in his concise IDS the relevant aspects as he sees them and need not analyze references or argue against patentability. The opinion, in contrast, says the inventor, if fluent in the foreign language and a good scientist, must explain all features that an adversary would find useful for arguing obviousness, and

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[18] The Federal Circuit did not consider that it is obviously incongruent for the PTO to require submission of foreign language patents (Rule 98(a)(2)(i)) if despite submission they remain "constructively withheld." In truth, applicants bent on fraud do not submit references. They conceal them. So far as petitioner is aware (after exhaustive research), this is the first case in which a court has inferred fraudulent intent when the applicant submitted the reference to the PTO, deemed it relevant, highlighted it in its IDS, and asked that it be considered.

[19] A partial translation is, of course, inherently incomplete. The panel opinion, therefore, alternatively suggests that an applicant "refrain" from submitting a partial translation if he "knows" it "will misdirect the examiner's attention from the reference's relevant teaching." A. 16. But a court cannot suggest that an applicant "refrain" from doing what an agency *requires* of him by Rule. Also, the panel does not explain how an applicant can "know" that he will lull an examiner into not examining a *submitted* foreign language reference when the examiner may know the reference (from prior work), know the language, or go to the STIC for an English-language abstract or translation services. *See* A. 125-31.

that an inventor is presumed to have believed that such features were relevant. A.12.

4. The PTO said it wanted to provide "certainty" by codifying the duty to disclose and the duty of candor. A. 114; *see* A. 109 and A. 111 (comment 1). The opinion means, however, that PTO Rules provide no certainty, since the Federal Circuit has invited district courts to set their own standards (above the PTO "floor") and has demonstrated that it will sustain those inflated standards.

5. The 1992 PTO Rules sought to provide that all applicants who submit foreign language references and deem them relevant would be equally immune from Rule 56 and Rule 98 charges of non-disclosure, since the reference will be "cited" and since any foreign office ranking or concise explanation selected by the applicant will suffice. The opinion, in contrast, creates a situation where applicants submitting European references are protected, because they can submit a European office ranking and need not explain further, while applicants submitting Japanese references need to translate fully or risk writing a concise explanation that may later be deemed too concise by a court, since Japan has no relevance ranking system. *See* MPEP § 609A(3) (A. 120).

6. The Rule 98(c) duty to submit pre-existing partial translations is easy to obey. In contrast, the new Federal Circuit-created duty to expand all partial translations that later may be found misleading is totally amorphous and unbearably risky. Full translation, no matter how costly, becomes the only safe alternative if the patent is potentially valuable.[20]

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[20] *See* A. 15 ("costly complete translation"). The Federal Circuit, while noting that (written) translations are costly, effectively imposed that cost on patent applicants and ignored that examiners can obtain *oral* translations (at little or no incremental cost to the PTO). MPEP § 901.05(d) (A. 125) & MPEP § 901.06(a) (A. 131).

The opinion (A. 15-16) seeks support in a statement in MPEP § 609C(2) to the effect that it cannot be assumed that an examiner has read and understood all untranslated passages of submitted materials. A. 122. That comment, however, is not part of Rule 56 and makes no mention of Rule 56. Rather, it simply alerts a patentee that he may not be able to rely on the normal presumption of administrative competence (*see* note 9, *supra*) in defending the validity (*i.e.*, novelty) of his patent in litigation. The comment cannot be read as opening up a patent to inequitable conduct attack when the examiner has appropriately initialed his or her consideration of prior art on Form PTO-1449. *See* A. 121 (discussion of Form PTO-1449). Rule 56 expressly precludes any such challenge with respect to *any* cited reference. A. 104.[21]

Finally, the opinion concludes that MPEP § 609A(3), which addresses the contents of a "concise explanation," is flexible about *how* features of a reference are discussed but not *what* must be discussed. A. 120. According to the Federal Circuit, the concise statement must identify all "key" features of a reference. A. 13-14. But the intentionally permissive words of § 609A(3) do not remotely support such a strained (and indeed bizarre) interpretation.[22] A guideline stating that an inventor "might" point to "similarities" as he perceives them cannot by judicial alchemy be transformed

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[21] PTO Rule 56 does not state that only English language materials are not subject to duty of candor charges if cited; it clearly says that *all* cited references are so protected. A. 104.

[22] Certainly, patent practitioners have never thought that PTO Rule 98(a)(3) or MPEP § 609A(3) required them to identify all or most similarities (and there often are many in any one reference). Heretofore, one-sentence summary explanations (just like SEL's for Canon '968 and other references in the IDS) have been commonplace. *See, e.g., Litton Sys., Inc. v. Honeywell, Inc.* 140 F.3d 1449, 1466 (Fed. Cir. 1998); *see also* n. 23, *infra*.

into a rule that an inventor (i) *must* identify all "key" similarities of a reference and (ii) will be presumed to see the same relevance in an alleged similarity as do his opponents at trial.[23]

In summary, this case is of vital importance because the Federal Circuit declined to give judicial deference to the basic PTO Rules governing the core of the patent examination process, thereby undercutting the valid policy of the PTO to provide certainty to applicants who obey PTO Rules, as well as subjecting patent applicants to unjust and inefficient uncertainties. It is clearly time for this Court to clarify that the inequitable conduct doctrine is intended to authorize courts to protect the integrity of the processes of the PTO, not to rewrite or override those processes.

B. This Case Should Be Reviewed To Clarify The Extent To Which Due Process And Fair Notice Principles Require Courts To Consider Whether Alleged Inequitable Conduct In Patent Prosecution Is Defensible Under Reasonable Readings Of PTO Regulations And Guidelines

Petitioner believes that there also would be great benefit from this Court clarifying that its 1945 ruling in *Precision Instrument*, *supra*, while allowing courts to protect the patent prosecution process from "fraud or other inequitable conduct," does not authorize courts either to override proper PTO regulations and policy choices or to find willful

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[23] This Court uses the word "concise" in its own Rules. *See, e.g.*, Supreme Court Rule 14.1(9)(h). The effect is that "key" facts or arguments are not made or are edited out in favor of points perceived to be more "key." The PTO invites exactly the same selection process. SEL's concise statement relating to Canon '968 cited two features (a TFT with a silicon nitride gate) (A. 135) specifically *claimed* in the '636 patent. A. 165. The cited similarities could not have been more germane. Samsung never suggested otherwise.

withholding of information by the patentee without explaining why the patentee's form of compliance was not reasonable under the rules that governed the prosecution of the challenged patent.

This Court has begun to emphasize that the Due Process Clause of the Fifth Amendment prohibits federal courts from retroactively changing administrative regulations in a way that denies individuals the ability to rely upon them for fair warning of conduct that could result in a deprivation of property. However, it has not yet clarified the due process effect of permissive PTO Rules on the power of federal courts to declare patents unenforceable for fraud or other inequitable conduct.

It has long been established that patents are a species of property protected by the Due Process clause of the Constitution. *See, e.g., Florida Prepaid Postsecondary Educ. Expense Bd. v. College Sav. Bank*, 527 U.S. 627, 642 (1999) (*quoting Brown v. Duchesne*, 19 How. 183, 197, 15 L. Ed. 595, 600 (1856) ("For, by the laws of the United States, the rights of a party under a patent are his private property"). Thus, it should be clarified that inequitable conduct rulings that deny a patent holder the right to enforce his property rights must comply with the principles of due process identified by this Court.

While federal courts are not subject to the Ex Post Facto clause of the Constitution, U.S. Const. art. 1, § 9, cl. 3, the Due Process Clause of the Fifth Amendment imposes a concomitant restriction on the judicial branch that accomplishes the same result. *Marks v. United States*, 430 U.S. 188, 191-92 (1977). Thus, like legislatures, federal courts are precluded from retroactively changing legal standards that otherwise give "fair warning of that conduct which will give rise to criminal penalties." *Id.* Such unexpected and unforeseeable judicial constructions are inconsistent with our fundamental concepts of ordered liberty

because they unfairly fail to give the adequate notice that is an essential element of due process. *Id.* Indeed, this Court has held that a court's unforeseeable application of a statutory interpretation of state law can deprive a person of due process of law. *Douglas v. Buder*, 412 U.S. 430 (1973) (even if state judge can deem traffic citation "an arrest" that must be disclosed, revocation of probation is unfair because probationer might not have foreseen that the judge would interpret the probation order that way). This Court has recognized that the same due process principles that can result in deprivation of liberty also apply to deprivations of property interests through unwarranted administrative action. *See, e.g., BMW v. Gore*, 517 U.S. 559, 574 n.22 (1996) (basic protection of due process clause against judgments without notice is implicated by civil penalties).

Petitioner and his counsel proceeded at least on the basis of reasonable constructions of PTO Rules 56, 98, and MPEP § 609A(3) by submitting the full Canon reference, a pre-existing partial translation of it, and an accurate concise explanation highlighting two key similarities (*see* note 23, *supra*). There is no finding that their construction of these Rules and regulations was so unreasonable as to constitute bad faith. Moreover, the fact that they complied with these Rules and regulations to the point where the PTO actually *cited* the challenged reference discharged, as far as the PTO is concerned, the applicant's duty of disclosure to the agency with respect to that reference. Rule 56 expressly states that the duty to disclose is satisfied with respect to "all information known to be material to patentability of any claim issued in a patent *[that] was cited by the Office* . . . ." A. 104 (emphasis added). The rule-making history is clear that these Rules were promulgated as the standards of conduct for applicants in patent application proceedings that courts would necessarily have to adopt as the compliance standards against which inequitable conduct would be measured. *See* PTO, *Duty of Disclosure*, 57 Fed. Reg. 2021,

2023-24 (comments 1 & 4) (Jan. 17, 1992) (Rule 56 standards will control in inequitable conduct litigation). A. 111-12.

This Court recently held that due process is denied when courts expose patent owners to penalties based on claims against which they have no opportunity to defend. *Nelson v. Adams USA, Inc.*, ___ U.S. ___, 120 S. Ct. 1579 (2000). As in *Nelson*, SEL had no reason to *anticipate* that it would be held to translation and explanation requirements stricter than those clearly set out in PTO Rules and the MPEP. This Court held in *United States v. Penn Industrial Chem. Corp.*, 411 U.S. 455, 414 (1973), that compliance with a regulation is a complete defense to a crime. There should be no difference when inequitable conduct is at issue. Inequitable conduct is an offense against the PTO in the procurement of a patent based on evil intent. 6 Donald S. Chisum, *Chisum On Patents* § 19.03[1], at 19-102 (1999). A showing that the government as regulator reasonably can be said to have allowed or encouraged the conduct in question negates evil intent. *See also United States v. Anderson*, 579 F.2d 455, 459-60 (8th Cir. 1978) (reasonable interpretation of certification requirement precludes prosecution for false statement). SEL's IDS was accurate, not false, and it was not only well within the range of what the PTO requested through Rule 98(a)(3) as amplified in MPEP § 609A(3) but, as discussed in note 22, *supra*, was archetypal of concise statements in patent prosecutions. Yet the Federal Circuit never discusses the reasonable reliance issue. It merely proclaims judicial power to extend or interpret duties of disclosure after the fact.

Similarly, when, as in this case, there is no false statement, only an alleged failure to say enough, the cases make clear that bad intent may not be found unless the questioner unambiguously asked for the full information, and the accused's answer unequivocally denied that more facts existed. *See United States v. Johnson*, 937 F.2d 392, 399 (8th

Cir. 1991) (request to contractor to submit price quote based upon quantity stated in Air Force letter created ambiguity as to whether Air Force was requesting contractor to certify stated quantity as accurate); *United States v. Manapat*, 928 F.2d 1097, 1099-1102 (11th Cir. 1991) (questions about traffic and criminal convictions on medical history form were so fundamentally ambiguous as to preclude conviction under § 1001 as matter of law). Similar issues are involved in this case. Certainly, a request for the patent applicant's view of relevance, which might "point[ ]" to "similarities" (A. 120), is not an unambiguous request that all specific similarities be identified in the IDS.[24] Nor was there any basis for the courts below to assume that the PTO, having asked for some similarities or differences, would be misled and believe that every one-sentence description of relevance is a complete listing of all features arguably related to obviousness analysis.

Furthermore, federal courts have recognized that due process requires that administrative agencies provide adequate notice of their requirements. *E.g., General Electric Co. v. United States Environmental Protection Agency*, 43 F.3d 1324, 1328-29 (D.C. Cir. 1995) ("But as long ago as 1968, we recognized this 'fair notice' requirement in the civil administrative context"). Petitioner suggests that the same due process principle of adequate notice should remain binding upon judicial review of a party's conduct before an administrative agency. Thus, no patentee should face the

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[24] In light of the request, a statement that a reference teaches a TFT with a silicon nitride gate (A. 135) hardly can be understood as an unequivocal denial that other similarities might be found in 32 pages of Japanese text and five figures. Moreover, no PTO examiner could possibly believe from looking at the documents that the IDS (A. 135) and partial translation (A. 163-64) (which identified itself as a partial translation) described everything of relevance in the submitted Japanese patent (A. 152-62). Also, no PTO examiner would think so because no PTO Rule called for complete explanations of all relevant features. *See* note 22, *supra* (one reference can contain many similarities).

ultimate sanction of forfeiture of his valuable patent for failure to list all "key" similarities when the administrative rule did not call for, and cannot be reasonably interpreted as calling for, a listing of all "key" similarities.[25] Thus, this case should be reviewed not only because the Federal Circuit invaded the policy discretion of the PTO but also deprived the patentee of property without considering his reasonable reliance on PTO regulations.

In summary, this Court should review this matter to clarify that patentees accused of inequitable conduct in their dealings with the PTO have the same rights to reasonable-reliance defenses as do persons accused of fraud, false statements, or the like.

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[25] A regulation requiring the listing of all "key similarities" would invite litigation not only over what was "key" but also what was "similar." For example, Samsung's counsel elicited from Dr. Yamazaki that he viewed the (undisputed) absence of any teachings in Canon '968 on the need to clean in the channel region of a TFT and on the low level of cleaning that was needed in that region as *differences* with his '636 claims, not similarities. A. 178. It is not unusual for one person's "similarities" to be another's "differences." Thus, the improvised "key similarities rule" imposed by the Federal Circuit on the PTO is uncertain, unworkable, and unconstitutionally vague as an administrative guideline, and can only be countered by (mostly) foreign patent applicants submitting costly full translations of their (often many) foreign language references. *See* A. 133-135 (Dr. Yamazaki concisely explains *nine* Japanese patents in his '636 prosecution alone.).

CONCLUSION

For the reasons stated, certiorari should be granted.

Respectfully submitted,

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